
SECOND SUBSTITUTE HOUSE BILL 3180

State of Washington 60th Legislature 2008 Regular Session

By House Capital Budget (originally sponsored by Representatives Ormsby, Green, Morrell, Llias, Dunn, and Wood)

READ FIRST TIME 02/12/08.

1 AN ACT Relating to housing reform policies to achieve greater
2 efficiencies in housing investments; amending RCW 43.180.050 and
3 84.36.560; reenacting and amending RCW 43.180.070; adding new sections
4 to chapter 43.185 RCW; adding a new section to chapter 43.180 RCW;
5 creating new sections; and providing an expiration date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** (1) The department of community, trade, and
8 economic development shall work in consultation with the affordable
9 housing advisory board and representatives from nonprofit housing
10 development organizations and affordable housing advocacy groups in the
11 state to:

12 (a) Identify and analyze all costs associated with affordable
13 housing development projects financed through the Washington housing
14 trust fund under chapters 43.185 and 43.185A RCW, which may include,
15 but are not limited to, costs associated with legal and architectural
16 services, permitting and impact fees, land acquisition, and general
17 construction costs;

18 (b) Make recommendations for strategies, which must include

1 recommendations for changes to public policy and department procedures,
2 to reduce the costs identified in (a) of this subsection; and

3 (c) Make recommendations for potential performance measures
4 appropriate for each strategy identified.

5 (2) In developing recommendations for strategies to reduce costs,
6 the department of community, trade, and economic development shall
7 analyze and address the fiscal impact of public policies of the state
8 and of local governments, Washington housing trust fund policies, and
9 general market forces on affordable housing development.

10 (3) The department of community, trade, and economic development
11 shall report its findings and recommendations to the governor and to
12 the appropriate committees of the legislature by September 30, 2009.

13 NEW SECTION. **Sec. 2.** The office of the insurance commissioner, in
14 collaboration with the department of community, trade, and economic
15 development and, when necessary, in consultation with the office of
16 financial management and the office of the attorney general, must, by
17 December 1, 2008, present specific recommendations for strategies to
18 reduce construction liability and earthquake insurance costs for
19 affordable housing projects funded by the Washington housing trust fund
20 under chapters 43.185 and 43.185A RCW, with a specific emphasis on
21 identifying strategies to reduce construction liability insurance
22 costs, to the appropriate committees of the legislature.
23 Recommendations must include any changes to existing statutory or
24 regulatory language necessary for the state or for eligible
25 organizations with affordable housing projects funded by the housing
26 trust fund to pursue recommended strategies.

27 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.185 RCW
28 to read as follows:

29 (1) The housing trust fund float loan program is created within the
30 department to provide short-term, zero-interest or low-interest loans
31 to eligible organizations that have applied to the Washington housing
32 trust fund for a project eligible under the housing trust fund criteria
33 but inadequate funds were not available for the project during the
34 funding round.

35 (2) The department shall develop policies and procedures necessary

1 to administer the float loan program, and shall present a program
2 implementation plan to the appropriate committees of the legislature by
3 December 1, 2008. The program must be implemented by February 1, 2009.

4 **Sec. 4.** RCW 43.180.050 and 1986 c 264 s 1 are each amended to read
5 as follows:

6 (1) In addition to other powers and duties prescribed in this
7 chapter, and in furtherance of the purposes of this chapter to provide
8 decent, safe, sanitary, and affordable housing for eligible persons,
9 the commission is empowered to:

10 (a) Issue bonds in accordance with this chapter;

11 (b) Invest in, purchase, or make commitments to purchase or take
12 assignments from mortgage lenders of mortgages or mortgage loans;

13 (c) Make loans to or deposits with mortgage lenders for the purpose
14 of making mortgage loans; and

15 (d) Participate fully in federal and other governmental programs
16 and to take such actions as are necessary and consistent with this
17 chapter to secure to itself and the people of the state the benefits of
18 those programs and to meet their requirements, including such actions
19 as the commission considers appropriate in order to have the interest
20 payments on its bonds and other obligations treated as tax exempt under
21 the code.

22 (2) The commission shall establish eligibility standards for
23 eligible persons, considering at least the following factors:

24 (a) Income;

25 (b) Family size;

26 (c) Cost, condition and energy efficiency of available residential
27 housing;

28 (d) Availability of decent, safe, and sanitary housing;

29 (e) Age or infirmity; and

30 (f) Applicable federal, state, and local requirements.

31 The state auditor shall audit the books, records, and affairs of
32 the commission annually to determine, among other things, if the use of
33 bond proceeds complies with the general plan of housing finance
34 objectives including compliance with the objective for the use of
35 financing assistance (~~(for implementation of cost effective energy~~
36 ~~efficiency measures in dwellings)) to increase the supply of affordable
37 and decent housing throughout the state.~~

1 **Sec. 5.** RCW 43.180.070 and 1999 c 372 s 11 and 1999 c 131 s 1 are
2 each reenacted and amended to read as follows:

3 The commission shall adopt a general plan of housing finance
4 objectives to be implemented by the commission during the period of the
5 plan. The commission may exercise the powers authorized under this
6 chapter prior to the adoption of the initial plan. In developing the
7 plan, the commission shall consider and set objectives for:

8 (1) The use of funds for single-family and multifamily housing;

9 (2) The use of funds to promote increased housing density;

10 (3) The use of funds to promote the provision of affordable housing
11 for the longest period of time possible;

12 (4) The use of funds for new construction, rehabilitation,
13 including refinancing of existing debt, and home purchases;

14 ~~((+3))~~ (5) The housing needs of low-income and moderate-income
15 persons and families, and of elderly persons or ~~((mentally or~~
16 ~~physically handicapped))~~ persons with disabilities or mental illness;

17 ~~((+4))~~ (6) The use of funds in coordination with federal, state,
18 and local housing programs for low-income persons;

19 ~~((+5))~~ (7) The use of funds in urban, rural, suburban, and special
20 areas of the state;

21 ~~((+6))~~ (8) The use of financing assistance to stabilize and
22 upgrade declining urban neighborhoods;

23 ~~((+7))~~ (9) The use of financing assistance for economically
24 depressed areas, areas of minority concentration, reservations, and in
25 mortgage-deficient areas;

26 ~~((+8))~~ (10) The geographical distribution of bond proceeds so that
27 the benefits of the housing programs provided under this chapter will
28 be available to address demand on a fair basis throughout the state;

29 ~~((+9))~~ (11) The use of financing assistance for implementation of
30 cost-effective energy efficiency measures in dwellings.

31 The plan shall include an estimate of the amount of bonds the
32 commission will issue during the term of the plan and how bond proceeds
33 will be expended.

34 The plan shall be adopted by resolution of the commission following
35 at least one public hearing thereon, notice of which shall be made by
36 mailing to the clerk of the governing body of each county and by
37 publication in the Washington State Register no more than forty and no
38 less than twenty days prior to the hearing. A draft of the plan shall

1 be made available not less than thirty days prior to any such public
2 hearing. (~~(At least every two years,)~~) The commission shall report to
3 the legislature annually regarding implementation of the plan. The
4 commission shall update the plan every two years.

5 (~~(The commission may periodically update the plan.)~~)

6 The commission shall adopt rules designed to result in the use of
7 bond proceeds in a manner consistent with the plan. The commission may
8 periodically update its rules.

9 This section is designed to deal only with the use of bond proceeds
10 and nothing in this section shall be construed as a limitation on the
11 commission's authority to issue bonds.

12 NEW SECTION. Sec. 6. A new section is added to chapter 43.180 RCW
13 to read as follows:

14 The commission must adopt program guidelines to ensure that
15 qualified applications submitted by nonprofit entities are given
16 priority for the use of tax exempt bonds issued under this chapter for
17 multifamily affordable housing developments.

18 NEW SECTION. Sec. 7. A new section is added to chapter 43.185 RCW
19 to read as follows:

20 Affordable housing developments receiving financing by the
21 Washington housing trust fund under this chapter and chapter 43.185A
22 RCW that were not acquired by eminent domain are exempt from the
23 requirements of and rules adopted for chapter 8.26 RCW. All projects
24 receiving financing from the housing trust fund must comply with any
25 relocation standards and requirements and real property acquisition
26 policies established by the department as a condition of housing trust
27 fund assistance.

28 NEW SECTION. Sec. 8. A new section is added to chapter 43.185 RCW
29 to read as follows:

30 The nonprofit equity account program is created in the department
31 to facilitate nonprofit entity use of tax-exempt multifamily bonds
32 issued by the Washington state housing finance commission. The
33 department shall contract with the Washington state housing finance
34 commission to administer the nonprofit equity account program. By
35 December 31, 2008, and annually thereafter, the Washington state

1 housing finance commission must report to the appropriate committees of
2 the legislature, using performance measures, on the activities and
3 accomplishments of the program.

4 NEW SECTION. **Sec. 9.** A new section is added to chapter 43.185 RCW
5 to read as follows:

6 The nonprofit equity account is created in the state treasury. All
7 receipts from amounts appropriated for the purpose of facilitating
8 nonprofit entity use of tax-exempt multifamily bonds issued by the
9 Washington state housing finance commission must be deposited into the
10 account. Moneys in the account may be spent only after appropriation.
11 The department shall administer the account and hold it separate and
12 apart from all other moneys, funds, and accounts of the department.

13 NEW SECTION. **Sec. 10.** A new section is added to chapter 43.185
14 RCW to read as follows:

15 (1) The housing communities program is created within the
16 department to provide technical assistance and organizational capacity
17 building programs to private, community-based nonprofit organizations
18 that primarily serve communities of color or multilingual communities.
19 The housing communities program must provide organizational training
20 and technical assistance on housing development issues, including asset
21 management, resource acquisition, and other general housing development
22 topics, with the goal of assisting nonprofit organizations to add
23 affordable housing development into their organizational missions and
24 workplans, or expand their current affordable housing programs to
25 further meet the needs of their communities.

26 (2) The department shall contract with two or more experienced
27 housing nonprofit organizations that have the capacity to implement the
28 housing communities program throughout the state.

29 NEW SECTION. **Sec. 11.** A new section is added to chapter 43.185
30 RCW to read as follows:

31 (1) The housing infrastructure program is created in the department
32 to provide loans for public infrastructure that supports affordable
33 rental housing and affordable owner-occupied housing.

34 (2) The department is authorized to make direct loans to eligible
35 organizations for the cost of public works projects that support

1 affordable rental housing and affordable owner-occupied housing,
2 including the planning, construction, repair, reconstruction,
3 replacement, rehabilitation, or improvement of sidewalks, streets and
4 roads, bridges, power utilities, water systems, storm and sanitary
5 sewage systems, and solid waste facilities. The department may also
6 provide loans for the acquisition of real property when the acquisition
7 is directly related to the development of public works projects for
8 affordable rental and owner-occupied housing.

9 (3) Loan interest rates shall not exceed one-half of one percent
10 per annum. The department must provide reasonable terms and conditions
11 for repayment of loans, including partial forgiveness of loan principal
12 and interest payments.

13 (4) The department shall conduct a statewide request for public
14 works project applications and shall establish a competitive process
15 for loan awards. The department shall review and prioritize proposals
16 in consultation with the public works board, the community economic
17 revitalization board, and the transportation improvement board. The
18 following criteria must be used in the evaluation and ranking of public
19 works project applications:

20 (a) The public works projects must support affordable rental
21 housing and affordable owner-occupied housing; and

22 (b) The public works projects must demonstrate convincing evidence
23 that (i) additional residential or mixed-use development will occur in
24 an urban growth area designated under RCW 36.70A.110; (ii) the proposed
25 mixed-use residential development is within one-half mile of a public
26 transportation passenger terminal or major transit passenger stop; and
27 (iii) that either moderate or high-density housing developments, or
28 both, will be constructed.

29 (5) The definitions in this subsection apply throughout this
30 section unless the context clearly requires otherwise.

31 (a) "Affordable owner-occupied housing" means housing affordable to
32 and occupied by households with incomes not exceeding one hundred
33 fifteen percent of the median income for housing located outside of
34 high-cost areas or one hundred fifty percent of the median income for
35 housing located within high-cost areas.

36 (b) "Affordable rental housing" means rental housing units
37 affordable to and occupied by households with incomes not exceeding

1 eighty percent of the median income for housing located outside of
2 high-cost areas, or equal to the median income for housing located
3 within high-cost areas.

4 (c) "High-cost area" means a county where the third quarter median
5 house price for the previous year, as reported by the Washington center
6 for real estate research at Washington State University, is equal to or
7 greater than one hundred thirty percent of the statewide median house
8 price published during the same time period.

9 NEW SECTION. **Sec. 12.** A new section is added to chapter 43.185
10 RCW to read as follows:

11 The affordable housing infrastructure account is created in the
12 state treasury. All receipts from appropriations made to the account,
13 repayments of loans made under section 11 of this act, and other
14 sources identified by the legislature must be deposited into the
15 account. Moneys in the account may be spent only after appropriation.
16 Expenditures from the account may be used only for the purposes
17 identified in section 11 of this act.

18 **Sec. 13.** RCW 84.36.560 and 2007 c 301 s 1 are each amended to read
19 as follows:

20 (1) The real and personal property owned or used by a nonprofit
21 entity in providing rental housing for very low-income households or
22 used to provide space for the placement of a mobile home for a very
23 low-income household within a mobile home park is exempt from taxation
24 if:

- 25 (a) The benefit of the exemption inures to the nonprofit entity;
- 26 (b) At least seventy-five percent of the occupied dwelling units in
27 the rental housing or lots in a mobile home park are occupied by a very
28 low-income household; and

29 (c) The rental housing or lots in a mobile home park were insured,
30 financed, or assisted in whole or in part through one or more of the
31 following sources:

32 (i) A federal or state housing program administered by the
33 department of community, trade, and economic development;

34 (ii) A federal housing program administered by a city or county
35 government;

36 (iii) An affordable housing levy authorized under RCW 84.52.105; or

1 (iv) The surcharges authorized by RCW 36.22.178 and 36.22.179 and
2 any of the surcharges authorized in chapter 43.185C RCW.

3 (2) If less than seventy-five percent of the occupied dwelling
4 units within the rental housing or lots in the mobile home park are
5 occupied by very low-income households, the rental housing or mobile
6 home park is eligible for a partial exemption on the real property and
7 a total exemption of the housing's or park's personal property as
8 follows:

9 (a) A partial exemption shall be allowed for each dwelling unit in
10 the rental housing or for each lot in a mobile home park occupied by a
11 very low-income household.

12 (b) The amount of exemption shall be calculated by multiplying the
13 assessed value of the property reasonably necessary to provide the
14 rental housing or to operate the mobile home park by a fraction. The
15 numerator of the fraction is the number of dwelling units or lots
16 occupied by very low-income households as of December 31st of the first
17 assessment year in which the rental housing or mobile home park becomes
18 operational or on January 1st of each subsequent assessment year for
19 which the exemption is claimed. The denominator of the fraction is the
20 total number of dwelling units or lots occupied as of December 31st of
21 the first assessment year the rental housing or mobile home park
22 becomes operational and January 1st of each subsequent assessment year
23 for which exemption is claimed.

24 (3) If a currently exempt rental housing unit in a facility with
25 ten units or fewer or mobile home lot in a mobile home park with ten
26 lots or fewer was occupied by a very low-income household at the time
27 the exemption was granted and the income of the household subsequently
28 rises above (~~(fifty percent)~~) the very low-income household threshold
29 of the median income but remains at or below eighty percent of the
30 median income, the exemption will continue as long as the housing
31 continues to meet the certification requirements of a very low-income
32 housing program listed in subsection (1) of this section. For purposes
33 of this section, median income, as most recently determined by the
34 federal department of housing and urban development for the county in
35 which the rental housing or mobile home park is located, shall be
36 adjusted for family size. However, if a dwelling unit or a lot becomes
37 vacant and is subsequently rerented, the income of the new household
38 must be at or below (~~(fifty percent)~~) the very low-income household

1 threshold of the median income adjusted for family size as most
2 recently determined by the federal department of housing and urban
3 development for the county in which the rental housing or mobile home
4 park is located to remain exempt from property tax.

5 (4) If at the time of initial application the property is
6 unoccupied, or subsequent to the initial application the property is
7 unoccupied because of renovations, and the property is not currently
8 being used for the exempt purpose authorized by this section but will
9 be used for the exempt purpose within two assessment years, the
10 property shall be eligible for a property tax exemption for the
11 assessment year in which the claim for exemption is submitted under the
12 following conditions:

13 (a) A commitment for financing to acquire, construct, renovate, or
14 otherwise convert the property to provide housing for very low-income
15 households has been obtained, in whole or in part, by the nonprofit
16 entity claiming the exemption from one or more of the sources listed in
17 subsection (1)(c) of this section;

18 (b) The nonprofit entity has manifested its intent in writing to
19 construct, remodel, or otherwise convert the property to housing for
20 very low-income households; and

21 (c) Only the portion of property that will be used to provide
22 housing or lots for very low-income households shall be exempt under
23 this section.

24 (5) To be exempt under this section, the property must be used
25 exclusively for the purposes for which the exemption is granted, except
26 as provided in RCW 84.36.805.

27 (6) The nonprofit entity qualifying for a property tax exemption
28 under this section may agree to make payments to the city, county, or
29 other political subdivision for improvements, services, and facilities
30 furnished by the city, county, or political subdivision for the benefit
31 of the rental housing. However, these payments shall not exceed the
32 amount last levied as the annual tax of the city, county, or political
33 subdivision upon the property prior to exemption.

34 (7) As used in this section:

35 (a) "Group home" means a single-family dwelling financed, in whole
36 or in part, by one or more of the sources listed in subsection (1)(c)
37 of this section. The residents of a group home shall not be considered
38 to jointly constitute a household, but each resident shall be

1 considered to be a separate household occupying a separate dwelling
2 unit. The individual incomes of the residents shall not be aggregated
3 for purposes of this exemption;

4 (b) "Mobile home lot" or "mobile home park" means the same as these
5 terms are defined in RCW 59.20.030;

6 (c) "Occupied dwelling unit" means a living unit that is occupied
7 by an individual or household as of December 31st of the first
8 assessment year the rental housing becomes operational or is occupied
9 by an individual or household on January 1st of each subsequent
10 assessment year in which the claim for exemption is submitted. If the
11 housing facility is comprised of three or fewer dwelling units and
12 there are any unoccupied units on January 1st, the department shall
13 base the amount of the exemption upon the number of occupied dwelling
14 units as of December 31st of the first assessment year the rental
15 housing becomes operational and on May 1st of each subsequent
16 assessment year in which the claim for exemption is submitted;

17 (d) "Rental housing" means a residential housing facility or group
18 home that is occupied but not owned by very low-income households;

19 (e) "Very low-income household" means: (i) A single person,
20 family, or unrelated persons living together whose income is at or
21 below fifty percent of the median income adjusted for family size as
22 most recently determined by the federal department of housing and urban
23 development for the county in which the rental housing or mobile home
24 space is located and in effect as of January 1st of the year the
25 application for exemption is submitted; or (ii) for properties that
26 have received funds from the nonprofit equity account created in
27 section 9 of this act, a single person, family, or unrelated persons
28 living together whose income is at or below sixty percent of the median
29 income adjusted for family size as most recently determined by the
30 federal department of housing and urban development for the county in
31 which the rental housing or mobile home space is located and in effect
32 as of January 1st of the year the application for exemption is
33 submitted; and

34 (f) "Nonprofit entity" means a:

35 (i) Nonprofit as defined in RCW 84.36.800 that is exempt from
36 income tax under section 501(c) of the federal internal revenue code;

37 (ii) Limited partnership where a nonprofit as defined in RCW
38 84.36.800 that is exempt from income tax under section 501(c) of the

1 federal internal revenue code, a public corporation established under
2 RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority created
3 under RCW 35.82.030 or 35.82.300, or a housing authority meeting the
4 definition in RCW 35.82.210(2)(a) is a general partner; or

5 (iii) Limited liability company where a nonprofit as defined in RCW
6 84.36.800 that is exempt from income tax under section 501(c) of the
7 federal internal revenue code, a public corporation established under
8 RCW 35.21.660, 35.21.670, or 35.21.730, a housing authority established
9 under RCW 35.82.030 or 35.82.300, or a housing authority meeting the
10 definition in RCW 35.82.210(2)(a) is a managing member.

11 NEW SECTION. **Sec. 14.** If specific funding for the purposes of
12 sections 1, 2, 10, 11, and 12 of this act, referencing sections 1, 2,
13 10, 11, and 12 of this act by bill or chapter number and section
14 number, is not provided by June 30, 2008, in the omnibus appropriations
15 act, sections 1, 2, 10, 11, and 12 of this act are null and void.

16 NEW SECTION. **Sec. 15.** Sections 1 and 2 of this act expire
17 December 1, 2009.

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